

Good afternoon! I want to introduce myself, I am Mary Cavallaro, Senior Director of Benefits of the Chicago Teachers' Pension Fund. I want to thank you for inviting me here today. It's wonderful to see so many of you here enjoying this RTAC luncheon.

I want to share greetings from Kevin Huber, our executive director, who is on medical leave and can't be here today. I also want to extend good wishes from our Interim executive Director, Jay Rehak, who will stand in for Kevin until he returns to the Pension Fund at the end of June. Kevin wants you to know he looks forward to seeing you at the next luncheon in October.

Slide 1 – AGENDA

Today I'd like to do a couple of things:

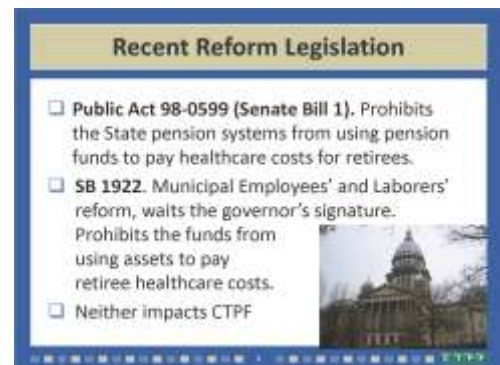
1. Offer a brief overview of the current legislative situation
2. Share an overview of CTPF's health insurance program and explain the current value of the program
3. Offer some ways you can take an active role in protecting your benefits.



SLIDE 2 -- RECENT LEGISLATION

Let's start with an overview of the current situation in Springfield and examine how it could impact your benefits.

Here's where I wish I had a crystal ball – so that I could tell you what will happen to your benefits – but of course – we can't predict the future – especially when it comes to our Springfield legislators. What I CAN do is to review what HAS happened with recent legislation and put that in context of how it would look if the same things were passed for CTPF.



Two major pieces of pension "reform" legislation have passed the Illinois legislature during this current legislative session.

1. Senate Bill 1 – now Public Act 98-0599 -- which was signed by the Governor last December included pension reform for four of the five State pension systems. This new law prohibits the State pension systems from using pension funds to pay healthcare costs for retirees.
2. An additional bill, SB 1922, a pension reform bill that impacts Municipal Employees' and Laborers' passed both houses in April and waits the governor's signature. This bill prohibits the funds from using assets to pay retiree healthcare costs beginning December 31, 2016.

Now, let me stress that neither one of these bills impact CTPF – BUT – we do know that the bills that have been passed are likely going to be used as models for any pension reform that is

proposed for CTPF. So I want to discuss with you what these kind of reform measures COULD mean for you, our members and to help you understand the current value of CTPF's health insurance program and the challenges we are currently facing.

SLIDE 3 – OVERVIEW OF CURRENT PROGRAM

First, let me offer an overview of CTPF's Health Insurance Program. CTPF provides access to high quality health insurance programs and a health insurance premium subsidy to help keep the cost of that insurance affordable to our retirees whose final service was with CTPF.



SLIDE 4 – SUBSIDY PERCENTAGE DURING PAST 20 YEARS GRAPH

It's important to remember that while your pension benefits are guaranteed by the Illinois constitution – your health insurance program – and the premium subsidy are NOT guaranteed. During the past 20 years the amount of the subsidy has ranged from 90% to 52% -- and it is determined annually by the Board of Trustees.

Now – our trustees can't just subsidize whatever they want -- the amount that they are allowed to allocate for retiree health insurance is limited to by Illinois law to \$65 million per year, plus any amount that carries over from a previous year. The health insurance spending cap was set by the Illinois legislature in 2004 and hasn't been increased since that time.



SLIDE 5 – PRESSURES ON SUBSIDY – GRAPH OF INCREASE IN RETIREES

The spending cap has put a lot of pressure on our health insurance subsidy. While inflation in general has remained relatively flat in recent years – health care costs have more than doubled in the past 10 years – something I'm sure you know all too well. To compound the issue, the number of retirees in our pension fund has increased by more than 40% in the past decade. So we have the same amount of money to spend, but with 40% more members to serve, and skyrocketing prices for health insurance. The increasing number of retirees and the rising cost of insurance, combined with a cap on what we can spend – is the reason you've seen a gradual erosion in your health insurance premium subsidy over the years.



SLIDE 6 – WHAT HAVE WE DONE

So what has the fund done to preserve your benefit? In recent years we've worked very hard to maintain this benefit for you, by squeezing out every penny we could from our health insurance program without sacrificing benefits.

We've "carved out" our prescription drug plan and competitively bid that so we can offer the most efficient and affordable program for our members. We've streamlined our programs to help decrease the cost of administration and encouraged you to become wise consumers of your health insurance. We have applied for government programs and recouped money from insurance companies.

We have cut as much as we can. For the past three years we've been able to maintain your health insurance subsidy at 60%. And I want you to understand exactly what this means. Because for many of you, the subsidy you receive is included in your benefit check, and you may not be aware of just how much CTPF helps to keep your health insurance cost affordable – and how important the subsidy is to your financial security.

What have we done?

- "Carved out" prescription drug plan
- Streamlined programs to help decrease the cost of administration
- Applied for and received money from federal programs
- Recaptured money from insurance companies

SLIDE 7 – SUBSIDY FOR MEMBERS UNDER 65

Let's look at a couple of examples – insurance for our members under the age of 65 is the most expensive. If you had to pay for health insurance – without any CTPF subsidy – the cost of single coverage under a CTPF PPO would be about \$14,628 a year -- \$1,219 per month. With the pension fund's help, the cost for coverage today is \$5,800 per year – or \$487 per month.

CTPF does NOT subsidize the cost of your spouse or dependent's insurance, so if you have to pay to cover a spouse or dependent, you pay the full price or \$14,628 annually – in addition to the coverage for your own cost.

I know these numbers are a little frightening but without the CTPF premium subsidy, a couple under age 65 could pay about \$29,000 per year for health insurance alone. Our average salary last year was \$44,600 – so the reality is that for an average member, under age 65, the cost of insurance can eat up more than half of your annual benefit.

CTPF PPO Plan	Monthly Cost without Subsidy	Monthly Cost after Subsidy*	Annual Cost Without Subsidy	Annual Cost after Subsidy*
Single Coverage	\$1,219	\$487	\$14,628	\$5,844
Dependent Coverage*	1,219	1,219	14,628	14,628
Total with Dependent Coverage	\$2,438	\$1,706	\$29,256	\$20,472

*Dependents do not receive a premium subsidy

SLIDE 8 – SUBSIDY FOR MEMBERS 65+

Now let's talk about retirees age 65 and over who have Medicare. Most Americans pay into Medicare during employment and receive Medicare Part A hospital insurance free when they turn 65. However, approximately 15 percent of our retired teachers over 65 did not have the opportunity to contribute to Medicare Part A and must now pay a hefty premium of \$5,112 per year just for Medicare Part A coverage.

CTPF PPO Plan	Monthly Cost without Subsidy	Monthly Cost after Subsidy	Annual Cost without Subsidy	Annual Cost after Subsidy
Medicare Part A	\$426	\$170	\$5,112	\$2,045
Medicare Part B	105	42	1,258	\$503
Supplemental with Part D	285	114	3,420	1,368
Total Single coverage	\$816	\$326	\$9,790	\$3,916

That 15% of you, all told between Medicare Part A, Part B, a supplement plan, because Medicare doesn't cover everything, and a prescription drug plan, would pay about \$10,000 per year out of pocket if there was no subsidy from the Pension Fund.

If we look at our average member who earns \$44,600 in 2013, the \$10,000 cost is more than 25% of his or her annual income. It doesn't leave room for much else.

Even for those members age 65 and over who pay for Medicare Part B only plus a supplement plan and prescription plan, your annual cost could run around \$4,800 a year without any subsidy from the Pension Fund. Add a spouse and the cost is almost \$10,000 a year.

And none of these examples include the additional costs of plan deductibles and prescription drug copays.

SLIDE 9 – HOW YOU CAN HELP

Our trustees have worked to help legislators understand the serious situation our members face when it comes to health insurance costs. But we can't do this alone – we need your help. RTAC is also working to help share this message to our Illinois legislators, but we need you as individuals -- to do your part. Reach out to our Illinois legislators, write letters, send e-mails, and help them understand that your health insurance subsidy is vital to your good health.



Our pension Fund Ambassador Program has materials, training and information that can help you get started and you can find an enrollment card in this information packet. I encourage you to share your information today (just leave the card on the table and we'll pick them up when the program is over) so we can help you get involved. You have spent your lives in the classroom, educating Chicago's youth so that they could become productive members of society. Today I ask you to put your skills as educators to use as you write one of your most important lesson plans – a plan to educate our legislators. Their actions will determine the kind of health insurance premium subsidy we can offer in the years ahead and your action will determine how they legislate. Make your voices heard. Your good health and your financial security depend on it.

Thank you for your time today.



RESOURCES FOR MEMBERS

Education and Advocacy Initiative

Ready to advocate for your pension? Here's what to do.....

RESOURCES FOR EDUCATION AND ADVOCACY

Start by Visiting WWW.CTPF.ORG

The best way to start to advocate for your pension and to access information is on our website. Click on the Education and Advocacy Tab on the Home page.

CLICK THE EDUCATION AND ADVOCACY TAB

This page has links to important resources. You can click on any of the links to find more information on a topic.

Some highlights include:

THE LEGISLATIVE ACTION CENTER (LAC)

Do you know who represents your interests in Springfield? The Legislative Action Center allows you to access information about your Illinois legislators, and send e-mail directly to them, just enter your zip code.



AMBASSADOR PROGRAM

The CTPF Pension Fund Ambassador program offers education and training to help members share their stories and advocate for their pensions.

Register as an ambassador at goo.gl/QtrMVV (the address is case sensitive).



This is the Education and Advocacy Page at www.ctpf.org. Use these links to find information and resources.

RESOURCES FOR VISITING LEGISLATORS

Meeting with a local legislator may be the most important step you can take to protect your pension. Before you go, get the facts. CTPF has prepared several documents to help members understand more about the Fund and the issues. You can find information at the [Member Education Documents](#) Link.



MISTAKES OF THE PAST



MEMBER EDUCATION



ECONOMIC IMPACT BY LEGISLATOR